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ACTION WHA-00

RELEASED IN FULL

INFO	LOG-00	COR-01	NP-00	AID-00	AMAD-00	ACQ-00	CEA-01
	CTME-00	DINT-00	DODE-00	DOTE-00	SRPP-00	DS-00	EB-00
	EXIM-01	E-00	FAAE-00	FBIE-00	VC-00	FRB-00	H-01
	TEDE-00	INR-00	ITC-01	LAB-01	L-00	VCE-00	AC-01
	NSAE-00	OES-01	OMB-01	OPIC-01	PC-01	PM-00	PRS-00
	ACE-00	SP-00	STR-00	TRSE-00	USIE-00	EPAE-00	PMB-00
	DSCC-00	DRL-02	G-00	NFAT-00	SAS-00	/013W	

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O 281844Z FEB 01  
FM AMEMBASSY BOGOTA  
TO SECSTATE WASHDC 0121  
INFO USDOC WASHDC  
DEPT OF ENERGY WASHDC  
AMEMBASSY LIMA  
AMEMBASSY CARACAS  
AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY PANAMA  
CIA WASHDC  
DIA WASHDC  
NSC WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 BOGOTA 001893

C O R R E C T E D C O P Y (CLASS BY STATEMENT ADDED)

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STATE FOR WHA/AND, WHA/ESPC  
STATE PASS OPIC FOR DMORENESE  
STATE PASS EXIMBANK FOR AMERICAS DIVISION  
COMMERCE FOR 4331/IEP/OLA/AND/JANGLIN AND FOR  
3134/USFCS/IOI/WH/DLUTTER  
ENERGY FOR GARY WARD AND ERIKA BENSEN

E.O. 12958: DECL: 02/28/11  
TAGS: ENRG, EPET, EMIN, ECON, PINR, CO  
SUBJECT: NEW MINISTER OF ENERGY AND MINES: A NEW VEIN  
IS STRUCK

REF: A) BOGOTA 1736, B) BOGOTA 1281, C) 00 BOGOTA 8460

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UNITED STATES DEPARTMENT OF STATE  
REVIEW AUTHORITY: WILLIAM E LANDFAIR  
DATE/CASE ID: 13 JAN 2004 200203418

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(U) CLASSIFIED BY CHARGE BARBARA C MOORE; REASON: 1.5(B)  
1. (C) SUMMARY: EMBASSY ENERGY CONTACTS HAVE EXPRESSED CONCERN OVER PRESIDENT PASTRANA'S NEW CHOICE FOR MINISTER OF ENERGY AND MINES RAMIRO VALENCIO COSSIO. VALENCIO'S TRACK RECORD OF OPPOSING THE PRIVATIZATION OF ISAGEN, AN ELECTRICITY GENERATING COMPANY, AND STRONGLY SUPPORTING LOW REGULATED ELECTRICITY RATES, HAS SOME WORRIED THAT HE COULD LIMIT RECENT PROGRESS IN OPENING UP COLOMBIA'S ENERGY SECTOR. END SUMMARY

2. (U) ON FEBRUARY 22 PRESIDENT PASTRANA NAMED RAMIRO VALENCIO COSSIO, FORMER DIRECTOR OF EMPRESAS PUBLICAS DE MEDELLIN (EPM- THE CITY-OWNED UTILITY) AS THE NEW MINISTER OF ENERGY AND MINES, REPLACING CARLOS CABALLERO (WHO MOVES TO THE CENTRAL BANK BOARD OF GOVERNORS) ON MARCH 12. THE NEW MINISTER IS FROM THE MEDELLIN AREA AND COMES FROM A WELL KNOWN POLITICAL  
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FAMILY (HIS BROTHER FABIO VALENCIO COSSIO IS THE FORMER PEACE NEGOTIATOR AND PRESIDENT OF CONGRESS, AND CURRENT AMBASSADOR TO ROME.)

3. (U) OUTGOING MINISTER CABALLERO HAS RECEIVED MANY ACCOLADES FROM THE PRIVATE SECTOR FOR HIS EFFORTS TO CHANGE THE REGULATORY ENVIRONMENT GOVERNING THE ENERGY SECTOR IN ORDER TO ATTRACT PRIVATE INVESTMENT. AMONG HIS ACCOMPLISHMENTS WERE HIS EFFORTS TO PROMOTE THE NEW OIL PRODUCTION ROYALTIES LAW, EFFORTS WHICH RESULTED IN ECOPETROL SIGNING 32 OIL EXPLORATION CONTRACTS IN 2000, DOUBLE THOSE SIGNED IN 1999. HE WAS AN INSTRUMENTAL MEMBER OF THE GOC TEAM WHICH OVERSAW THE SUCCESSFUL RESOLUTION OF THE OXY PETROLEUM/U'WA INDIANS DISPUTE OVER THE GIBRALTAR-1 EXPLORATION WELL. HE HAS ALSO WORKED HARD IN GETTING THE NATURAL GAS SECTOR DEREGULATED WITH A BILL WHICH HAS ONLY TO PASS THE SENATE IN MARCH (SEPTTEL).

4. (C) ALTHOUGH INCOMING MINISTER VALENCIO IS CONSIDERED A SOUND CHOICE DUE TO HIS EXTENSIVE BACKGROUND IN THE ENERGY SECTOR, HIS ARRIVAL IS VIEWED WITH A CERTAIN AMOUNT OF WARINESS DUE TO HIS HISTORICAL OPPOSITION TO PRIVATIZATION AND DEREGULATION. AS DIRECTOR OF CITY-OWNED EPM, (WHICH PROVIDES POWER, WATER, AND TELECOM SERVICES TO COLOMBIA'S SECOND LARGEST CITY, AND IS CONSIDERED ONE OF THE BEST RUN UTILITIES IN THE HEMISPHERE) VALENCIO MADE A NAME FOR HIMSELF OPPOSING THE PRIVATIZATION OF ISAGEN (ONE OF

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COLOMBIA'S LARGEST ELECTRICITY GENERATING  
CORPORATIONS). HE ALSO STATED THAT THE RISE IN  
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ELECTRICAL POWER RATES SHOULD BE LIMITED, AND THAT  
CONSUMERS SHOULD NOT PAY THE COST FOR THE REPAIR AND  
REPLACEMENT OF BLOWN-UP ELECTRICAL PYLONS.

5. (C) AMONG EMBASSY ENERGY CONTACTS, THE STRONGEST  
WORRIES REGARDING VALENCIO ARISE FROM THE 300 MILLION  
USD LAWSUIT EPM FILED TO STOP THE PRIVATIZATION OF  
ISAGEN. VALENCIO CITED UNFAIR AND DISCRIMINATORY  
TREATMENT AGAINST EPM IN THE BIDDING PROCESS. DURING  
THE PRIVATIZATION PROCESS THE COLOMBIAN ENERGY  
REGULATORY COMMISSION (CREG) HAD STATED THAT EPM, A  
PUBLIC INSTITUTION, COULD NOT PURCHASE ISAGEN BECAUSE  
IT WOULD GIVE IT A MONOPOLY POSITION ON THE GENERATION  
OF POWER IN COLOMBIA, PARTICULARLY IN THE ANTIOQUIA  
REGION. THE LAWSUIT SCUTTLED THE PRIVATIZATION,  
PUTTING A STRAIN ON THE GOC BUDGET-BALANCING EFFORTS  
REQUIRED BY ITS IMF PROGRAMS (REF C). ALTHOUGH THE  
COURTS DID RULE IN EPM'S FAVOR, THE FIRM EVENTUALLY  
DECIDED IT WAS NOT INTERESTED IN PARTICIPATING IN  
ISAGEN'S PRIVATIZATION. EMBASSY CONTACTS WORRY THAT  
VALENCIO'S POSITIONS ON ENERGY REGULATION AND  
PRIVATIZATION WILL LEAD TO A HALT IN THE CURRENT  
PROGRESS TOWARD CREATING A MORE INVESTOR FRIENDLY  
REGULATORY ENVIRONMENT WHICH COULD ATTRACT MUCH NEEDED  
PRIVATE INVESTMENT TO THE ENERGY SECTOR.

6. (C) COMMENT: WITH IMPORTANT DE-REGULATION  
LEGISLATION FOR NATURAL GAS STILL TO GET THROUGH THE

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ACTION WHA-00

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INFO USDOC WASHDC  
DEPT OF ENERGY WASHDC  
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AMEMBASSY CARACAS  
AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY PANAMA  
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NSC WASHDC

C O N F I D E N T I A L SECTION 02 OF 02 BOGOTA 001893

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SENATE, AND DIFFICULT ENERGY ISSUES IN THE ATLANTIC  
NORTH COAST (REF B), SEVERAL MEMBERS OF THE PRIVATE  
ENERGY SECTOR ARE LOOKING AT THE ENTRY OF THE NEW  
MINISTER WITH CONCERN. ALTHOUGH NONE WILL GO ON RECORD  
UNTIL VALENCIO OFFICIALLY TAKES OFFICE ON MARCH 12,  
MANY ENERGY SECTOR MEMBERS WORRY THAT THE RECENT  
ADVANCES IN COLOMBIA'S ENERGY REGULATORY ENVIRONMENT  
WILL BE LOST AND COLOMBIA'S ENERGY SECTOR WILL CLOSE ON  
ITSELF AGAIN. AT THE SAME TIME, VALENCIO HAS STATED  
PUBLICLY THAT HE WILL NOW LOOK TO SUPPORT THE NATION'S  
INTERESTS AS STRONGLY AS HE DID EPM'S IN HIS PREVIOUS  
CAPACITY. WE WOULD ADVOCATE A WAIT AND SEE APPROACH.  
END COMMENT

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